

NORTH THURSTON SCHOOL DISTRICT No. 3
Thurston County, Washington
September 1, 1991 Through August 31, 1992

Schedule Of Findings

1. The North Thurston School District Annual Report And Grant Schedule Should Be Prepared And Submitted Within The Prescribed Reporting Period

The fiscal year 1992 general purpose financial statements for the district were not prepared and submitted for audit until July 16, 1993. The grant schedule was not prepared and submitted for audit until July 27, 1993, which is approximately six months after the audit started.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed . . . which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the division within one hundred fifty days after the close of each fiscal year.

The fiscal year end for the district is August 31.

The State Auditor's Office sends Bulletin No. 314 to all districts each year to provide guidance on the preparation of the grant schedule. The bulletin states that the grant schedule "must be completed prior to the beginning of [the] regularly scheduled audit"

When financial reports are not prepared and filed as required, the users of these reports are denied access to the district's financial information.

In addition, when the information provided in the district's financial statements and schedules is not available in a timely manner, audit time and costs are significantly increased.

The district changed key accounting staff positions. The change caused delays in the preparation of the financial statements.

We recommend the annual report and grant schedule be prepared and submitted within the prescribed reporting period.

2. Controls Over Cash Should Be Improved

On June 14, 1993, North Thurston School District No. 3 contacted the State Auditor's Office to report the theft of \$7,368.65 from North Thurston High School. The theft occurred between Friday evening, June 11, and Monday morning, June 14. One or more of the following control weaknesses contributed to the theft:

- The combination to the safe was known by ten current employees at the high school and an unknown number of former employees.
- The combination to the safe was not changed for over eight years.
- The combination to the safe was recorded on paper in various desks.
- The safe is in a location visible to the public.
- Receipts were allowed to accumulate for several days instead of being deposited at the bank.

As a result of our audit testing, we also noted the following weaknesses in controls covering cash:

Receipts:

- At four schools mode of payment was not indicated on some or all Associated Student Body (ASB) or General Fund receipts precluding testing for intact depositing.
- At two schools ASB or General Fund receipt books were not used in numerical order precluding testing for complete depositing.
- At two schools all copies of voided ASB or General Fund receipts were not retained for audit precluding testing for complete depositing.
- At one school at least 36 used receipt books were discarded prior to being subject to audit. Separated copies of these receipts were retained but numerical integrity could not be determined.
- At one school unofficial receipts were being used.
- At all schools receipt books were not signed for by the individuals receiving them. Therefore, accountability could not be determined for over 46 missing receipt books.

Admissions and Sales:

- At one school controlled tickets were not used to track revenue from entry to student events, and cash counts at student events were not certified by cashiers.
- At one school ice cream was sold without effective controls to verify sales, i.e., no reconciliation of sales to revenues was performed and no beginning or ending inventory count was kept.

Deposits:

- At one school deposit cutoffs were not indicated in the ASB or General Fund

receipt books precluding testing for timely and complete depositing.

- At one school General Fund receipts were being deposited only once per month.
- At one school receipts from recycling were held for over six months before deposit.

Checks:

- At two schools checks for ASB and General Fund were not immediately endorsed upon receipt.
- At one school imprest check authorizations were signed in blank by the ASB treasurer.

Washington Administrative Code (WAC) 392-38-035 states in part:

All associated student body moneys, upon receipt, shall be transmitted intact to the district depository bank . . . (Emphasis Ours.)

North Thurston School District policy No. 7415P states in part:

A ticket sales report shall be completed for all ASB activities where admission is charged. . . Deposits shall be made daily or as necessary to the District depository as specified by Board action. All deposits shall be made intact.

In addition to the theft of the \$7,368.65, the above control weaknesses have the potential to allow transactions to not be recorded, assets to be accessed by unauthorized persons, and differences to go uninvestigated. Consequently, these weaknesses could allow other moneys to be stolen without being detected.

The district's insurance carrier has compensated the district for the amount of the theft less a \$250 deductible.

We recommend the district address the above control weaknesses to prevent future theft of funds. We further recommend the district enforce its policies covering controls over cash and implement written procedures to address those weaknesses not currently covered by district policy.